

(B)

~~SECRET~~

CENTRAL INTELLIGENCE AGENCY
OFFICE OF NATIONAL ESTIMATES

11 October 1955

MEMORANDUM FOR: The Director of Central Intelligence

SUBJECT : Preliminary Views on Argentina

1. The rebel forces which ousted Peron are still consolidating their position. Political power now rests in the hands of an anti-Peronista military Junta. Major General Eduardo Lonardi, a compromise selection by the Junta's army and navy factions, heads the caretaker government. Neither his military supporters, nor his predominantly civilian cabinet can be clearly identified with any political party, but it is clear from the personalities involved and the policies thus far expounded that the present regime represents a shift to the right in Argentine politics.

2. The Junta's immediate problem is to achieve and maintain political stability. Though Lonardi has shown considerable skill in solidifying his position, it is not at all certain that he will continue to head the government, for within the Junta his position

NOTE: This memorandum has been coordinated with OCI.

~~SECRET~~

DOCUMENT NO. 2
NO CHANGE IN CLASS. []
X DECLASSIFIED
CLASS. CHANGED TO: TS S C
NEXT REVIEW DATE: 1-5-80
AUTH: HR 70-2
DATE 1-5-80 REVIEWER: [REDACTED]

001 12 1955
NE 2

~~SECRET~~

is threatened by interservice rivalries and by lack of unity over policies and appointments. As long as Lonardi remains Provisional President, Argentina will probably continue to make progress towards the restoration of domestic tranquility and political liberty. Should he fall, however, the army would probably assume direct control and these trends might be halted.

3. The greatest potential source of trouble for the Junta is the powerful General Confederation of Labor (CGT), which was Peron's principal political prop. Lonardi has made a bid for labor support by promising to honor all social benefits and to respect union rights. There is some resistance to his moves to oust the Peronista leaders, but we believe the military will be capable of suppressing any serious labor opposition.

4. Argentina faces government by a military Junta for a protracted period. Because of the presently disorganized political situation, it is highly unlikely that Lonardi's promise to hold elections within six or eight months can be fulfilled. First the Junta must face the task of dismantling the majority Peronista party. The only anti-Peronista party of any numerical consequence is the Radical Civic Union, a

- 2 -

~~SECRET~~

~~SECRET~~

middle class, nationalistic party which is badly split and has thus far shown little talent either for improvising programs or forming coalitions.

5. The present regime, dominated by devout Catholics, hopes to settle the church problem by getting a Concordat with the Vatican. Peron's anti-church policies may be replaced with equally extreme pro-church policies. If this should happen, the government would alienate segments of the Radical party as well as the anti-clerical Socialist party and thus make the return to constitutional government more difficult than ever. The government may try to launch a Christian Democratic movement, but it would probably take at least two years to build it into a majority party.

6. Lonardi has expressed his concern over the problem of Communism and has indicated that his government will not be soft on this issue. The Argentine Communist Party will oppose the present government and will almost certainly take advantage of any opportunity to aggravate a crisis situation, but it is not likely that it will be able to play a significant role in Argentine politics during the next six months.

- 3 -

~~SECRET~~

~~SECRET~~

7. The regime faces serious economic problems. Argentina's naturally rich agricultural economy suffers from an archaic socio-economic system and more recently from Peronista mismanagement. Agricultural costs are inflated and productivity is low. Industrial production is hampered by obsolescence of plant and equipment, by tight credit restrictions, and by shortages of imported raw materials. Continuing price inflation is building up strong pressure for wage increases. Solution of these problems will depend upon the regime's success in reinvigorating the agricultural-pastoral sector of its economy, which produces 95% of Argentina's foreign exchange earnings. The fundamental problem of economic development centers about reducing the country's dependence upon its two primary exports--wheat and beef--and utilizing their foreign exchange earnings for technological advance and agricultural diversification. The adoption of sound agrarian reform policies, including land reform, and of modern techniques will eventually improve the competitive marketing position of Argentina's exports and thus help alleviate her pressing balance of payments problems. To rebuild agriculture, however, Argentina will need and will probably seek economic assistance from the United States.

- 4 -

~~SECRET~~

~~SECRET~~

8. Industrial development, in addition to modernization of plant and equipment, will require large-scale investment in transportation, fuel, and power. The present regime might pursue a policy of economic nationalism, although it certainly will not repeat the excesses carried out by Peron in the name of industrialization and economic independence. The Junta has allowed the Standard Oil of California development contract to lapse despite the fact that oil alone accounted for 13% of Argentina's total imports in 1954. Though the government will almost certainly resist adoption of new measures likely to have inflationary results, we believe that in the short run it will be unable to halt Argentina's continuing inflation.

9. Lonardi has expressed a willingness to maintain friendly relations with the United States. However, the presence of strong nationalists in key government positions indicates that the present Argentina government may be unwilling to follow the United States lead in promoting hemispheric solidarity and cooperation. It is not likely that Argentina will pursue pre-revolt overtures for a Military

- 5 -


~~SECRET~~

~~SECRET~~

Defense Assistance Pact. Though she will probably continue to support the US on important political questions on which the US and the USSR are opposed, it is unlikely that she will cooperate on international economic problems.

FOR THE BOARD OF NATIONAL ESTIMATES:

25X1A9a



SHERMAN KENT
Assistant Director
National Estimates

- 6 -

~~SECRET~~